

House of Representatives, March 19, 1998. The Committee on Banks reported through REP. MCCA VANAGH, 12th DIST., Chairman of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING INTERSTATE BANKING AND STATE LIMITATIONS ON INTEREST.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 37-9 of the general statutes is
2 repealed and the following is substituted in lieu
3 thereof:

4 The provisions of sections 37-4, 37-5 and
5 37-6 shall not affect: (1) Any loan made prior to
6 September 12, 1911; (2) any loan made by (A) any
7 national bank, [or] any bank or trust company or
8 state or federal savings bank incorporated under
9 the laws of this state OR ANY BANK OR TRUST
10 COMPANY OR STATE OR FEDERAL SAVINGS BANK NOT
11 INCORPORATED UNDER THE LAWS OF THIS STATE THAT
12 MAINTAINS IN THIS STATE A BRANCH, AS DEFINED IN
13 SECTION 36a-410, AS AMENDED, (B) any wholly-owned
14 subsidiary of such national bank, bank or trust
15 company or state or federal savings bank, except a
16 loan for consumer purposes, (C) any federal or
17 state chartered savings and loan association or
18 (D) any credit union or federal credit union; (3)
19 any bona fide mortgage of real property for a sum
20 in excess of five thousand dollars; (4) any loan
21 made to a foreign or domestic corporation, general
22 or limited partnership or association organized

23 for a profit or any individual, provided such
24 corporation, partnership, association or
25 individual is engaged primarily in commercial,
26 manufacturing, industrial or nonconsumer pursuits
27 and provided further that the funds received by
28 such corporation, partnership, association or
29 individual are utilized in such entity's business
30 or investment activities and are not utilized for
31 consumer purposes and provided further that the
32 original indebtedness to be repaid is in excess of
33 ten thousand dollars, or, in the case of one or
34 more advances of money of less than ten thousand
35 dollars made pursuant to a revolving loan
36 agreement or similar agreement or a loan agreement
37 providing for the making of advances to the
38 borrower from time to time up to an aggregate
39 maximum amount, the total principal amount of all
40 loans owing by the borrower to the lender at the
41 time of any such advance is in excess of ten
42 thousand dollars; (5) any obligations, including
43 bonds, notes or other obligations, issued by (A)
44 the state, (B) any municipality, including any
45 city, town, borough, district, whether
46 consolidated or not, or other public body
47 corporate or (C) any authority, instrumentality,
48 public agency or other political subdivision of
49 the state or of a municipality; (6) any loan made
50 by (A) the state, (B) any municipality, including
51 any city, town, borough, district, whether
52 consolidated or not, or other public body
53 corporate or (C) any authority, instrumentality,
54 public agency or other political subdivision of
55 the state or of a municipality; (7) any loan made
56 for the purpose of financing the purchase of a
57 motor vehicle, a recreational vehicle or a boat,
58 carrying an interest rate of not more than (A)
59 eighteen per cent per annum on loans made on or
60 after July 1, 1981, and prior to October 1, 1985,
61 and (B) on loans made on or after October 1, 1985,
62 and prior to October 1, 1993, (i) sixteen per cent
63 per annum for new motor vehicles, recreational
64 vehicles or boats and (ii) eighteen per cent per
65 annum for used motor vehicles, recreational
66 vehicles or boats, payable in four or more
67 monthly, quarterly or yearly instalments which is
68 unsecured or in which a security interest is taken
69 in such property; (8) any loan by an institution
70 of higher education made to an individual for the

71 purpose of enabling attendance at such institution
72 and carrying an interest rate of not more than the
73 greater of (A) the maximum rate then permitted by
74 section 37-4 or (B) a rate which is not more than
75 five per cent in excess of the discount rate,
76 including any surcharge, on ninety-day commercial
77 paper in effect from time to time at the federal
78 reserve bank in the federal reserve district where
79 such institution is located; (9) any loan made to
80 a plan participant or beneficiary from an employee
81 pension benefit plan as defined in the Employee
82 Retirement Income Security Act of 1974, Public Law
83 93-406, as from time to time amended. The
84 provisions of part III of chapter 668 shall not
85 apply to loans made pursuant to subdivision (7) of
86 this section. No provision of this section shall
87 prevent any such bank, trust company or federal or
88 state chartered savings and loan association,
89 credit union or federal credit union or other
90 lender from recovering by an action at law the
91 amount of the principal and the interest
92 stipulated or interest at the legal rate, if
93 interest is not stipulated, in any negotiable
94 instrument which it has acquired for value and in
95 good faith without notice of illegality in the
96 consideration. For the purpose of this section:
97 "Interest" shall not be construed to include
98 attorney's fees, including preparation of mortgage
99 deed and note, security agreements, title search,
100 waivers and closing fees, survey charges or
101 recording fees paid by the mortgagor or borrower;
102 "consumer purposes" shall mean the utilization of
103 funds for personal, family or household purchases,
104 acquisitions or uses.

105 BA COMMITTEE VOTE: YEA 18 NAY 0 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER HB 5426

STATE IMPACT None, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Banking

EXPLANATION OF ESTIMATES:

There is no fiscal impact for the Department of Banking as a result of the passage of this bill. The Department of Banking does not enforce usury laws or regulate interest rates in the State of Connecticut.

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OLR BILL ANALYSIS

HB 5426

AN ACT CONCERNING INTERSTATE BANKING AND STATE LIMITATIONS ON INTEREST

SUMMARY: This bill exempts banks or trust companies chartered in other states and out-of-state state or federal savings banks that have branches in Connecticut under the interstate banking law from the state's general usury statute. The 12% usury limit caps the annual interest rate that lenders who do not fit into the statute's numerous exemptions can charge on their loans. Connecticut-chartered banks and trust companies, in-state and out-of-state federal commercial banks (known as "national banks"), savings and loan associations, and credit unions already have a

long-standing exemption from the usury statutes.

EFFECTIVE DATE: October 1, 1998

COMMITTEE ACTION

Banks Committee

Joint Favorable Report
Yea 18 Nay 0